
Highlights of Chapter:

- ◆ Audit Objectives
- ◆ Audit Reporting Requirements
- ◆ Failure to Comply
- ◆ Audit Thresholds
- ◆ Due Dates for Audit Reports
- ◆ Audit Compliance
- ◆ Resolution of Audit Reports
- ◆ Top Ten Audit Findings
- ◆ Audits of Subrecipients
- ◆ Technical Assistance
- ◆ Full-Scope Auditing
- ◆ Commercial (For-Profit) Organizations
- ◆ Distribution of Audit Reports
- ◆ OIG Regional Offices

This chapter establishes responsibilities for the audit of organizations receiving agency funds. The intent of this chapter is to identify the policies for determining the proper and effective use of public funds rather than to prescribe detailed procedures for the conduct of an audit.

Audit Objectives. Awards are subject to conditions of fiscal, program, and general administration to which the recipient expressly agrees. Accordingly, the audit objective is to review the recipient's administration of funds and required non-Federal contributions for the purpose of determining whether the recipient has:

1. Established an accounting system integrated with adequate internal fiscal and management controls to provide full accountability for revenues, expenditures, assets, and liabilities. This system should provide reasonable assurance that the organization is managing Federal financial assistance programs in compliance with applicable laws and regulations.
2. Prepared financial statements which are presented fairly, in accordance with generally accepted accounting principles.
3. Submitted financial reports (which may include Financial Status Reports, Cash Reports, and Claims for Advances and Reimbursements), which contain accurate and reliable financial data, and are presented in accordance with the terms of applicable agreements.
4. Expended Federal funds in accordance with the terms of applicable agreements and those provisions of Federal law or regulations that could have a material effect on the financial statements or on the awards tested.

Audit Reporting Requirements. Independent auditors should follow the requirements prescribed in OMB Circular A-133.

If the auditor becomes aware of illegal acts or other irregularities, prompt notice shall be given to recipient management officials above the level of involvement. The recipient, in turn, shall promptly notify the cognizant Federal agency of the illegal acts or irregularities and of proposed and actual actions, if any.

All awarding agency personnel have the responsibility to inform the OJP's Office of the Comptroller; DOJ's Office of Professional Responsibility and the Office of Inspector General; and State and local law enforcement agencies or prosecuting authorities, as appropriate, of any known violations of the law within their respective area of jurisdiction.

Audit costs for audits not required or performed in accordance with OMB Circular A-133 are unallowable. If the grantee did not expend \$300,000 or more in Federal funds in its fiscal year, but contracted with a certified public accountant to perform an audit; these costs may not be charged to the grant.

Failure to Comply. Failure to have audits performed as required may result in the withholding of new awards and/or withholding of funds or change in the method of payment on active grants.

Audit Threshold:

1. Non-Federal entities that expend \$300,000 or more in Federal funds (from all sources including pass-through subawards) in the organization fiscal year (12 month turn-around reporting period) shall have a single organization-wide conducted in accordance with the provisions of OMB Circular A-133.
2. Non-Federal entities that expend less than \$300,000 a year in Federal awards are exempt from Federal audit requirements for that year. Records must be available for review or audit by appropriate officials including the Federal agency, pass-through entity, and General Accounting Office (GAO).

Due Dates for Audit Reports. Audits are due no later than thirteen (9) months after the close of each fiscal year during the term of the award.

Audit Compliance. Techniques to use to determine recipient compliance with Federal requirements when an organization-wide audit is not conducted include:

1. Obtaining audits from recipient that were made in accordance with the "Government Auditing Standards."
2. Relying on previous audits performed on recipient's operations.
3. Desk reviews by program officials of project documentation.
4. Project audits by auditors or auditors obtained by recipients.
5. Evaluations of recipient's operations by program officials.